AGG-2379

HEALTH SERVICE BOARD

MINUTES

SEPT. – DEC. 1980

(Earlier Minutes for this year, and the Agendas for most of these meetings, are not available.)

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HEALTH SERVICE SYSTEM
REGULAR MEETING OF THE HEALTH SERVICE BOARD
OF THE CITY AND COUNTY OF SAN FRANCISCO
450 MC ALLISTER STREET, ROOM 605, SAN FRANCISCO, CALIF.

TUESDAY - SEPTEMBER 16, 1980 - 4:00 P.M.

The Regular Meeting of the Health Service Board was called to order at 4:00 P.M. with President Paretchan presiding.

Pledge of Allegiance.

Roll Call:

PRESENT: Bernstein, Abraham, M.D.
Gaggero, Joseph A.
Johnson, F. Walter
Paretchan, Harry
Toomey, Thomas A.

ABSENT: Hassing, Robert E. - illness
Renne, Louise H.

Before motion was made to approve the August 12, 1980 minutes, Mr. Philip J. Kearney, Executive Director, requested that correspondence between himself and Mr. James M. Connors be included in the minutes. The correspondence referred to immunizations not covered under City Administered Plan I and was submitted to the Rules Committee for disposition.

Commissioner Toomey noted that Commissioner Gaggero was on vacation at the time of the August 12, 1980 meeting, yet was shown to have made a motion to accept the previous month's minutes. In fact, Commissioner Johnson made the motion.

Motion was made by Commissioner Bernstein to correct the minutes as indicated above. Commissioner Toomey seconded and the motion was carried.

ACTUARIAL REPORT. Mr. Juan B. Rael, Jr., Actuary, reported the experience on the attached actuarial report. He stated that the cummulative loss ratio for Basic Benefits was still high, however, it was down by 9% over July. The Major Medical loss ratio reflects the beginning impact of the new fiscal year deductible.

Mr. Kearney, through the Chair, stated that 6 to 7% of revenues are in our trust account but are not reflected in this report. This is due to over the counter payments, unreconciled funds in "Plan X" and interest on Certificated Deposits. When we audited the Health Service Trust account we found that $800,000 in principal was not accruing interest to us, but accruing to the General Fund. An additional $500,000 was taken out of that fund and put into our own Certificate of Deposit, increasing our C.D.'s from $4.5 million to $5 million which are invested at a little more than 10% interest, thereby picking up $500,000 each year in interest. These funds added to the contributions will bring the claims ratio into a more acceptable range.

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ACTUARIAL REPORT. (Continued)

Mr. Randall B. Smith, Administrative Assistant, mentioned that the problem of unreconciled funds in "Plan X" is due to the lag in the Membership EDP System. He hopes to initiate a feasibility study in January 1981 to update our data processing and eliminate the manual load which is currently placed on our Membership staff.

APPEALS COMMITTEE. President Paretchan, Chairman, reported no appeals during the month of August, 1980.

OLD BUSINESS.

a. Mr. Kearney read two letters from the Board of Supervisors concerning late payments to pharmacies for services rendered and a possible conflict of interest regarding Conlon's Drugs. Mr. Kearney's written response to the Supervisors stated that all drug claims received by CGM Enterprises Inc., up to August 14, 1980 have been paid, and that the circumstances surrounding the delay have been properly documented. The conflict of interest issue has been turned over to CGM's legal counsel. Commissioner Toomey requested a copy of the legal counsel's opinion.

Reference was made to the letter written by Frank H. Dunne, President of the Retired City Employees Association, which states that their organization is in full support of the Health Service Pharmacy.

Mr. Kearney referred to the letters written to Mayor Dianne Feinstein by Mr. Harry H. Ambrunn, President of the San Mateo County Pharmacist Association, Inc. These letters expressed concern by pharmacists over the Health Service Pharmacy. The letter which Mr. Kearney wrote in response stated that prior to embarking on this program the Health Service Board investigated every avenue as to its legality, to include Department of Corporations, Pharmaceutical Association, legal counsel experienced in this field plus our own City Attorney. All agencies agreed that the program should go forward.

b. Prescription Drug Plan. In Mr. Andrew Mizzaro's absence, representative of CGM Enterprises Inc., Mr. Kearney reported that there have been some problems which have delayed payment of prescriptions. Initially, there was a delay when CGM moved their computer set-up from one building to another. Secondly, the manner in which the computer is programmed caused the computer to lie idle on the big jobs while working on direct reimbursements. Direct reimbursements are made to the individual who patronizes a non-panel pharmacy. These direct payments are now being processed manually and the job is up to date. Thirdly, there were 1100 prescription claims which were placed inadvertently into the processed file when in fact they had not been processed. This has been corrected and payment was sent out today. All claims incurred prior to the 14th of August have been processed. More than $106,000 in back prescriptions have been paid.

Claims will now be paid once a month rather than the second and fourth Friday of each month. These claims must be received by the 10th in order

OLD BUSINESS. (Continued)

to be paid by the 25th. Inquiries were made to PCS and other drug companies and they are paying every 25 days with a 45 day lag.

When Mr. Mizzaro arrived he added that Conlon's Pharmacy has been remodeled and there has been a change made in personnel.

c. Mr. Smith provided the Board with a hospital survey conducted on September 1, 1980, which the Board had requested at its last meeting. The survey listed ten acute care facilities in San Francisco and their semi-private and private room rates; the average semi-private rate being $239.30 per day. Commissioner Toomey asked if it would be possible to raise our hospital benefits by 10%. Mr. Rael was requested to price this out to see what the ramifications would be on our system.

NEW BUSINESS.

a. A presentation was made by Dr. James Fitzgerald, Medical Advisor, requesting documentation of the decisions made at the Rules Committee that met earlier in 1980, and future committee meetings.

He also requested that Committee to meet to discuss several problems that have arisen since our taking over the major medical program which had previously been handled by Phoenix Mutual. Questions of post-mastectomy surgery and the matter of payment for midwives were also requested to be evaluated. Mr. Rael requested to be included in that meeting.

EXECUTIVE DIRECTOR'S REPORT.

a. Mr. Kearney read a report on the Voluntary Dental Plan sent by Dr. Alan G. Michaels, Dental Director, Safeguard Health Plans, Inc. The memorandum, which will be from the Health Service Board, states that the rates will remain the same throughout fiscal year 1980-81 and that the Dental Panel has been expanded. The memorandum also states that the Voluntary Dental Plan, provided through Safeguard, is a sound Plan which is properly administered with good quality control procedures. Mr. Kearney will send copies to the Board for additions, corrections or deletions before distribution to our members.

There being no further business to come before the Board, the meeting adjourned at 4:55 P.M. and the Board met in executive session.

Respectfully submitted,

PHILIP J. KEARNEY
EXECUTIVE DIRECTOR

REPORT BY ACTUARY FOR SEPTEMBER 16, 1980
MEETING OF THE HEALTH SERVICE BOARD

PLAN I

) Experience under Basic Benefit for period July through August 1980

	CONTRIBUTIONS	CLAIMS	CLAIMS RATIO FOR MONTH	CLAIMS RATIO CUMULATIVE
tive Employees	$ 420,521	$ 579,966	109%	138%
tired & Resigned	200,155	195,510	85	98
ult Dependents	245,529	363,971	137	148
nor Dependents	120,836	139,219	112	115
TOTAL	$ 986,941	$1,278,666	112	130

) Experience under Major Medical for period July through August 1980

$ 822,835	$ 924,532	84%	111%

) Total Basic and Major Medical Benefits

$1,809,776	$2,203,198	100%	122%

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HEALTH SERVICE SYSTEM

SPECIAL MEETING OF THE HEALTH SERVICE BOARD
OF THE CITY AND COUNTY OF SAN FRANCISCO
HELD IN THE BOARD MEETING ROOM
450 MC ALLISTER STREET, ROOM 605, SAN FRANCISCO, CALIF.

MONDAY - SEPTEMBER 29, 1980 - 2:00 P.M.

1. The Special Meeting of the Health Service Board was called to order at 2:00 P.M. with President Paretchan presiding.

2. Pledge of Allegiance.

3. Roll Call:

PRESENT:	Bernstein, Abraham, M.D.	Johnson, F. Walter
	Gaggero, Joseph A.	Paretchan, Harry
	Hassing, Robert E.	Toomey, Thomas
ABSENT:	Renne, Louise H.	

4. Decision on Prescription Drug Plan. President Paretchan opened the meeting informing the audience the following: That the Health Service System contract with C G M Enterprises Inc. was now null and void. A statement in a form of a letter will be sent to all providers not later than October 8, 1980 that the Health Service System will assume responsibility for all such claims and full payment will be effective immediately for all claims received by CGM as of September 5, 1980. All subject claims will be paid promptly. In the interim while investigation is being conducted, effort is being made to secure another provider to handle these claims. He asked the Pharmacists to continue honoring C G M Enterprises prescription drug cards until further notice; he regreted the extension and delay of payment and thanked them for their extreme patience. He asked questions of the audience.

Mr. Tonelli of Central Drug Company, 4494 Mission Street, complained that six (6) months ago, he contacted Mr. Andrew Mizzaro of C G M Enterprises Inc. about non-payment and no payment was made after the contact. He then called Mr. Philip J. Kearney, Executive Director, to apprise him of the situation. He told the Board that letters were sent to Mayor Dianne Feinstein, Mr. Roger Boas and to Supervisor Horanzy and that he had talked to Don Horanzy and that there was no response to their communications.

Mr. Kearney gave reasons for the delayed response to the correspondence referred to, stating that inadvertantly it was forwarded to the Controllers Office rather than to the Health Service System; that when it was discovered, it was hand carried to and clocked in our office at 9:45 A.M. on September 11, 1980 and answered by September 17, 1980. He explained that the letter accused the C G M Enterprises Inc. of conflict of interest and that the manner in which he replied was, an organization on the peninsula organized as you are organized come very very close to price fixing, forwarding a copy to each Board member.

There was discussion and argument following several allegations made by Mr. Tonelli, such as, that it was either the administrators of the Health Service System not being diligent enough to investigate and stop payment to C G M before continuing payments, or that money was being put under the table; that Mr. Mizzaro is now vacationing in

4. Decision on Prescription Drug Plan. (Continued)

Italy with their money. His reference to Mr. Kearney's accusation of their price fixing revealed that Mr. Mizzaro signed contracts with each of the pharmacies in San Francisco with different prices.

Unsupported allegations made by Mr. Tonelli were not accepted by President Paretchan. Mr. Tonelli was more concerned about City employees paying twice and funds forwarded to C G M not being paid to the pharmacists. To the question, whether he would prefer that the Health Service System proceed against Mr. Mizzaro and let him go through bankruptcy and the pharmacies get nothing, Mr. Tonelli answered that that was not the question. The question was that funds were being paid to Mr. Mizzaro without investigation. He was told that at this point of time, the Health Service Board wanted to continue their obligation of providing the drug plan, to see that the relationship between the Health Service System and the pharmacies in San Francisco does not deteriorate and that action will be taken against Mr. Mizzaro after these obligations are met. President Paretchan assured them that they were going to receive their money and that they were looking for another ASO or provider.

Mr. Kearney introduced Messrs. Gaylord Helm and Paul Chan of Walgreens Drugs stating that he owed an apology which he made, for his conduct in handling the case, for he now felt that the agents were right since learning the facts; he informed the Board that he had talked to Mr. Montelbaum of Chicago who insists that when the check run is made that Walgreens checks are pulled out and hand delivered to Mr. Helm who will certify them at the bank and forward them to Chicago, at which time Walgreens will lift its mandate and issue a memorandum and commence once again to honor C G M cards. Mr. Kearney mentioned that he wanted to control the account.

5. Temporary Employees in Health Service System. Mr. Randall B. Smith, Administrative Assistant, reported on a meeting held with the Temporary Employees Committee and the Labor Relations Office on Proposition D on the November 11 Ballot. He reported that the Board of Supervisors have passed on administrative code setting forth requirements for the entrance of temporary employees into the system, which is contingent upon passage of Proposition D which will allow into the Health Service System all temporary employees of the City (approximately 6,000 plus their dependents) working twenty (20) hours or more and who have six (6) months continued service with the City. The Unions are pushing for December 1, 1980 and are putting pressure on the Labor Relations Office to legally commence lining up the necessary procedures to effect this entrance.

The preliminary plan is to send a memorandum to Departmental appointing officers to determine the number of eligible temporary employees and another memorandum to temporary employees during the week of October 13 - 17 asking them to complete forms at their personnel office stating that they feel they are eligible and wish to join the system under this administrative code provision. If Proposition D passes, they can apply to be exempt for any of our three (3) reasons.

Upon passage of Proposition D, a supplemental appropriation will be prepared to the Board of Supervisors requesting for the necessary staff required to implement the entrance of these temporary employees into the system. Facilities will be another problem at this point. However, in considering all aspects of the implementation, it appears that it will not be feasible because of the many problems involved. However, Mr. Smith, asked the Board whether they wanted the two above referred to memorandums to be sent out by the Executive Director of the Health Service System or by the Director of Employees Labor Relations Office, so that their wishes can be conveyed

5. Temporary Employees in Health Service System. (Continued)

to the two committees at tomorrow's meeting, September 30, 1980.

Motion was made by Commissioner Bernstein that the two memorandums be sent by the Labor Relations Office and not by the Executive Director of the Health Service System, which was seconded by Commissioner Toomey and unanimously carried.

There being no further business to come before the Board, the meeting was adjourned at 2:40 P.M.

Respectfully submitted,

PHILIP J. KEARNEY
EXECUTIVE DIRECTOR

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HEALTH SERVICE SYSTEM
REGULAR MEETING OF THE HEALTH SERVICE BOARD
OF THE CITY AND COUNTY OF SAN FRANCISCO
HELD IN THE BOARD MEETING ROOM
450 MC ALLISTER STREET, ROOM 605, SAN FRANCISCO, CALIF.

Minutes

TUESDAY - OCTOBER 14, 1980 - 4:00 P.M.

The Regular Meeting of the Health Service Board was called to order at 4:00 P.M. with President Paretchan presiding.

Pledge of Allegiance.

Roll Call:

PRESENT: Gaggero, Joseph A.
Hassing, Robert E.
Johnson, F. Walter
Paretchan, Harry
Toomey, Thomas A.

ABSENT: Bernstein, Abraham, M.D. - vacation
Renne, Louise H. - excused

Motion was made by Commissioner Johnson and seconded by Commissioner Gaggero to approve the Minutes of the Regular Meeting of September 16, 1980 as submitted.

There being no objections, it was SO ORDERED.

ACTUARIAL REPORT. Mr. Juan B. Rael, Jr., Actuary, reported the experience on the attached actuarial report. He stated that overall we are pretty much on target. The Major Medical loss ratio is low and still reflecting the beginning impact of the new fiscal year deductible.

APPEALS COMMITTEE. President Paretchan, Chairman, reported no appeals during the month of September, 1980.

OLD BUSINESS.

a. Prescription Drug Plan. Mr. Philip J. Kearney, Executive Director, stated that he had been informed by the City Attorney that discussion on the Prescription Drug Plan should be postponed until the next monthly meeting pending the receipt of the report from our CPA's.

Mr. Kearney read a proposal from Alan C. Lindquist, Certified Public Accountant. As our CPA Mr. Lindquist proposes to review the records of CGM Enterprises, Inc. and related entities to determine the propriety of their records with respect to accounting for cash receipts and disbursements on behalf of the Health Service System for the period of February 1, 1980 through September 30, 1980. Examinations will include testing to determine that administrative fees charged to Health Service were proper and that claims were properly calculated and paid only to eligible employees and their dependents. They will also determine whether or not Health Service payments to CGM Enterprises, Inc. were properly credited.

7. OLD BUSINESS (Continued)

Motion was made by Commissioner Hassing to accept the proposal as written. Commissioner Gaggero seconded and the motion was carried.

b. Report on Temporary Employees. Mr. Randall B. Smith, Administrative Assistant, directed the Board's attention to a letter from the Board of Supervisor's Employee Relations Division pertaining to a Memorandum of Understanding entered into by the City and County of San Francisco and Service Employees International Union, Locals 250, 400 and 535 relative to membership in the Health Service System. Should Proposition "D" be adopted on the November 4th ballot temporary employees who are not now members of the HSS will be included if they have six months or more of continuous service with any City department, the Unified School District or the Community College District, and have a normal work week of not less than twenty hours.

A card and memorandum has been distributed to all temporary employees with the request that they complete the card and return it to their timekeeper. The timekeeper will retain the cards, but submit to the Civil Service Commission the following information:

1) Number of eligible temporary employees.
2) Number of employees who selected Plan I, II or III.
3) Number of employees who have had a Civil Service Medical Examination within the last twelve months.

If Proposition "D" should pass there would be approximately 6,000 temporary employees enrolled into our system. Therefore, we have submitted a supplemental appropriation to the Board of Supervisors requesting additional personnel and equipment.

Mr. Frank Lucibello, representing the Retired Employees Association, asked if there would be any effect on the rates of retired and permanent employees should this proposition pass. Mr. Smith answered that two million dollars has already been appropriated by the Board of Supervisors to subsidize the coverage of the temporary employees to July 1, 1981. Mr. Kearney added that the claims processing is certainly going to be effected unless we receive additional employees and office space in order to maintain the present level of efficiency.

Commissioner Johnson asked if there is a Controller's statement in the Voter's Handbook. Mr. Smith replied that the Controller submitted a cost figure of 3.3 million dollars annually.

c. Mr. Kearney read a letter from Supervisor Louise Renne which stated that she could not attend todays Health Service Board meeting as the regularly scheduled Board of Supervisors meeting was in session. She requested that the Health Service Board convene at a time that does not conflict with her official duties on the Board of Supervisors.

Mr. Kearney replied that the Charter specifically states that the Health Service Board is to meet on the second Tuesday of each month at 4:00.

OLD BUSINESS (Continued)

Commissioner Johnson requested that a letter be sent to Supervisor Renne informing her of such.

NEW BUSINESS.

a. Survey of the ten most populous counties. Mr. Kearney explained that this is the time of the year that we must contact the ten most populous counties in the State of California to determine how much money they are contributing for medical coverage exclusive of vision and dental for each employee.

b. Mr. Fred Estes introduced the following representatives of Computer Sciences Corporation: Albert Gluckson, Vice President and Secretary and George Barratt, Vice President Finance. Also introduced were Robert W. Forsyth, President and Beverly West, Account Executive of Paid Prescriptions.

Mr. Forsyth presented "Paid Prescriptions", a subsidiary of Computer Sciences Corporation. Paid Prescriptions has been in business for over thirteen years and currently has over 600 contracts. The drug card is honored by 40,000 pharmacies in the United States and its territories, and is currently honored by 4,500 pharmacies in California. Paid Prescriptions is bonded for one million dollars through Fireman's Fund American Insurance Company.

Mr. Ernest Lozano, a local pharmacist, stated that his experience was that payment from Paid Prescription was slow. Mr. Forsyth replied that the contract with the pharmacies calls for payment in eighteen days, experience shows payment in 11.6 days. Also some pharmacists do not bill correctly.

Through the Chair, Mr. Kearney asked if the 2-tier plan mentioned by Mr. Forsyth could be explained to the Board. Mr. Forsyth stated that Paid Prescriptions innovated this program and it was implemented to reward those pharmacies which offer more service to their patrons than do others i.e., some pharmacies offer 24 hour emergency service and/or keep patient profiles on patrons. The client is offered the option of a 2-tier payment system which would mean a higher professional fee to those who provide more service. These pharmacies would be in Group 2.

Mr. Kearney stated Group 1 would be the larger stores. Because of the volume, the professional fee to be paid could be 25¢ less than the normal fee paid to the independent pharmacists. The professional fee is determined by the Health Service Board.

Another pharmacist, Mr. Mark Pasquini, stated that the two proven providers in this area are PCS and Paid Prescriptions.

Discussion continued with Mr. Forsyth answering questions on services provided by Paid Prescriptions.

Motion was made and seconded to hold a special meeting of the Board on Tuesday, October 21, 1980 at 10:00 a.m. at which time Mr. Rael would discuss PCS.

EXECUTIVE DIRECTOR'S REPORT.

Mr. Kearney reported the following:

a. The automated system is working fine. When there are no irregularities, claims are being processed within ten days.

b. Over the past eight years our Certificated Deposits have grown from $1,600,000 to $5,000,000. The 5 million dollars is invested at 11⅛% overall, thereby picking up $500,000 each year in interest.

There being no further business to come before the Board, the meeting was adjourned at 5:35 p.m.

Respectfully submitted,

PHILIP J. KEARNEY
EXECUTIVE DIRECTOR

REPORT BY ACTUARY FOR OCTOBER 14, 1980

MEETING OF THE HEALTH SERVICE BOARD

PLAN I

(1) Experience under Basic Benefit for period July through September 1980

	CONTRIBUTIONS	CLAIMS	CLAIMS RATIO FOR MONTH	CLAIMS RATIO CUMULATIVE
ctive Employees	$ 645,499	$ 807,941	101%	125%
etired & Resigned	298,838	317,797	124	106
dult Dependents	372,138	489,092	99	131
inor Dependents	184,541	216,159	121	117
TOTAL	$ 1,501,016	$1,830,988	107	122

(2) Experience under Major Medical for Period July through August 1980

$ 1,242,926	$1,259,088	82%	101%

(3) Total Basic and Major Medical Benefits

$ 2,743,942	$3,090,076	96%	113%

RAEL & LETSON

Consulting Actuaries

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HEALTH SERVICE SYSTEM

SPECIAL MEETING OF THE HEALTH SERVICE BOARD
OF THE CITY AND COUNTY OF SAN FRANCISCO
HELD IN THE BOARD MEETING ROOM
450 MC ALLISTER STREET, ROOM 605, SAN FRANCISCO, CALIF.

Minutes TUESDAY - OCTOBER 21, 1980 - 10:00 A.M.

1. The Special Meeting of the Health Service Board was called to order at 10:00 A.M. with President Paretchan presiding.

2. Pledge of Allegiance.

3. Roll Call:

PRESENT: ~~Bernstein, Abraham, M.D.~~ Johnson, F. Walter
Gaggero, Joseph A. Paretchan, Harry
Hassing, Robert E. Renne, Louise H.
Toomey, Thomas A.

Refer to Minutes 11-18-80

ABSENT: Bernstein, Abraham, M.D.

4. President Paretchan opened the meeting stating that the meeting was called to make a selection of a new prescription drug plan. He called upon Mr. Juan B. Rael, Actuary, to give the presentation on PCS, Pharmaceutical Card System, Inc.

Mr. Rael stated that as Actuary he was not giving a presentation on PCS, but merely a partial analysis and recommendation and further stated that when the problem started with C G M, he was asked by Mr. Kearney to look into prescription plans; he contacted Prepaid Prescriptions, Prescription Health Service Inc., PCS a former provider, and Paid Prescriptions; Prepaid Prescriptions and Prescription Health Service Inc. were eliminated because they could not provide the large number of Pharmacies.

Mr. Rael felt that both PCS and Paid were very good; however, his recommendation for PCS was based on past performance, serving the City and County employees very effectively with few complaints and could step in immediately and continue where they left off; that PCS paid faster and there were few problems between the pharmacies and PCS. Paid can offer a 2-tier program immediately; however, PCS is prepared to offer it in two months; he recommended a 2-tier system, $3.40 be offered to everybody and later a $3.60 fee to the individual pharmacy; however, felt that the program would run successfully at the one fee of $3.40 for a period of time; after receiving the eligibility list, they would stamp the packet envelopes and send them to us from Phoenix and we would distribute them. Mr. Rael responded to questions.

Supervisor Louise H. Renne raised the question: Procedurally, what are the requirements and how does the Board reach a decision at an initial selection?

Mr. Philip J. Kearney, Executive Director, explained that the lowest bid is selected providing that the provider is a serviceable provider; that oral presentations were made to the Board. Mr. Rael added that normally we send out specifications, but because of the critical position, it had to be done quickly; that he, the Chairman, the President and Mr. Kearney did the screening process.

Ms. Beverly West, representing Paid Prescriptions, handed out a chart illustrating the tier program in the five counties in the Bay Area to the Board members. She explained in depth the 2-tier structure developed with the pharmacies and chains; she also explained that there was also another option where there is the single fee which would apply to both chains and independents; the average fee ran from $3.20 for Class 1 to $3.85 for Class 2; the norm in this area would be $3.35 and that $3.35 is sufficient to maintain the program. The Board can select any fee at this time and later raise the fee until it is felt that the fee chosen is not sufficient.

PAID has been in existence for 16 years; have special services here and a toll-free number for pharmacies and for members who can call until 5:00 P.M. California time. The pharmacies are audited once a year and if there is any problem on dispensing, the monies are returned to the City; PAID does not collect any money ahead of time nor bill you for the benefit paid out; they provide reports to back up the invoices showing what was paid and for whom.

Both plans are prepared to provide the $1,000,000 bond which will now be required.

Discussion followed and questions were raised regarding:

a. The continuation of a free pharmacy which was decided that it would have to be negotiated at a later date and effort will be made to secure one. A discount or a $2.00 deductible could not be granted to the retired group.

b. The various pouring fee charges: that with 40% of the chains' business being happy with a pouring fee of $3.10 - $3.20, that a $3.60 pouring fee with chains is going to cost the Health Service System; that MEDI-CAL grants a $3.60 pouring fee; and with small independents who have 70% of Medi-Cal patients, they are not going to want to serve 30% at a lower price; by law they cannot charge Medi-Cal more than they are charging anyone else.

c. Who negotiates the fee with the pharmacies, the Board or the ASO? The amount to be paid is decided by the Board and the ASO negotiates the fee with their panel pharmacies.

d. As to the Status of C G M, it was answered that most pharmacies are accepting C G M cards; that the big chains are filling out direct reimbursement forms and that members are directed to send them into the HSS for forwarding to the new ASO, PAID Prescriptions.

Last Friday at 4:30 PM, Mr. Randall B. Smith, was notified that Conlon's Drug Store was closed; the President of the Board and the City Attorney's office was notified.

President Paretchan called the roll for a voice vote. Commissioners Paretchan, Hassing, Johnson and Gaggero were in favor of PAID Prescriptions; Commissioners Renne and Toomey were in favor of PCS.

Mr. Rael expressed his disappointment in the manner in which the meeting was conducted, stating that he was not giving a presentation of the plan but merely giving his professional analysis and recommendations; and that in order to make a fair decision that PCS should have been given the opportunity to present their own plan; however, in the interest of time and the importance of immediate implementation, he would cooperate with the Board's decision; he just wanted to bring out his point.

Supervisor Renne, who was under the impression that PCS had presented their plan, made a motion for the record that another meeting be held where both parties be given the opportunity to set down precisely what it is they propose; it was seconded by Commissioner Hassing; and another motion, that the meeting be set as quickly as possible and that motion was seconded by Commissioner Hassing. The motions rescinded the vote to accept PAID Prescriptions.

Motion was made and unanimously passed that the meeting be held tomorrow, November 22, 1980 at 10:00 A.M.

5. President Paretchan mentioned that last week Mr. Kearney and members of the Board were directed to appear before the L & P Committee to answer some questions that would be brought before the Board; that meeting was changed to next Tuesday. October 28; he is going to direct the Executive Director not to attend that meeting as he is not going to be able to attend and he is also going to direct a letter to the L & P Committee telling them that he, Mr. Kearney, will not be in attendance as he does not want anybody speaking for him. He does not feel that Mr. Kearney should speak in behalf of the Board as his function is strictly administrative; policy is made by the full Board and the full Board should be in attendance. He felt that if the L & P Committee wished questions answered by the Board, that they can be asked to attend a special meeting of the Health Service Board.

   Mr. Kearney, through the Chair, for the record mentioned that on October 2, 1980, he received a call from Margy McGuire from the Board of Supervisors informing him that they wanted him there to discuss the Prescription Drug Plan on 7th of October. He told her that the City Attorney and the District Attorney were called in on this and that he has been advised by the City Attorney not to attend. Please direct your inquiry to Phil Ward of the City Attorney's office. She did and Phil Ward contacts Supervisor Horanzy. Supv. Horanzy tells Phil Ward "you are put over two weeks until the 21st of October." The meeting goes on and Supervisor Horanzy after having excused the City Attorney and this department from that meeting accepts defamatory testimony against this Board and against the entire staff.

   Supervisor Renne suggested that in view of pending litigation, that the Board not appear before the committee and that a letter be sent to the L & P Committee that it would be inappropriate to accept testamony one way or the other in view of the pending litigation.

6. President Paretchan mentioned that he was going to submit some expenses to the Board for time, parking and gas; that he has been on vacation since the 2nd of October and has attended nine (9) meetings. He asked that the City Attorney's opinion on that matter be secured. It was suggested that a motion be made that Board members be paid for Board meetings that they attend like other commissioners.

7. There being no further business to come before the Board, the meeting adjourned at 11:30 A.M.

Respectfully submitted,

PHILIP J. KEARNEY
EXECUTIVE DIRECTOR

HEALTH SERVICE SYSTEM

SPECIAL MEETING OF THE HEALTH SERVICE BOARD
OF THE CITY AND COUNTY OF SAN FRANCISCO
HELD IN THE BOARD MEETING ROOM
450 MC ALLISTER STREET, ROOM 605, SAN FRANCISCO, CALIF.

WEDNESDAY - OCTOBER 22, 1980 - 10:00 A.M.

1. The Special Meeting of the Health Service Board was called to order at 10:00 A.M. with President Paretchan presiding.

2. Pledge of Allegiance.

3. Roll Call:

PRESENT: ~~Bernstein, Abraham, M.D.~~ Johnson, F. Walter
Gaggero, Joseph A. Paretchan, Harry
Refer to Minutes 11-18-80 Hassing, Robert E. Renne, Louise H.
Toomey, Thomas A.

ABSENT: Bernstein, Abraham, M.D.

4. President Paretchan opened the meeting calling upon Mr. Boucher of Pharmaceutical Card System, Inc. to give their presentation on their prescription drug plan.

A presentation on behalf of PCS, Pharmaceutical Card System, Inc. was made to the Board by Mr. Boucher of PCS. The primary points being that PCS would mail new cards ten (10) days after receipt of eligibility listing; could provide two-tier dispensing fee within two (2) months; would absorb cost of mailing and producing cards; could provide diversified dispensing rates for each State; would charge administrative fee of .55¢ per claims processed; would assist with input as to the establishment of dispensing fees.

A presentation was made by Beverly West on behalf of Paid Prescriptions. PAID could provide the same service at the same cost; however, they already have the two-tier professional fee already in place, although they would not pay postage costs to mail out cards.

A vote was called for by President Paretchan as to the plan favored. The vote was 4 - 2 in favor of PAID Prescriptions (Commissioners Renne and Toomey dissenting).

5. There being no further business to come before the Board, the meeting adjourned at 11:00 A.M.

Respectfully submitted,

PHILIP J. KEARNEY
EXECUTIVE DIRECTOR

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HEALTH SERVICE SYSTEM

SPECIAL MEETING OF THE HEALTH SERVICE BOARD
OF THE CITY AND COUNTY OF SAN FRANCISCO
450 MC ALLISTER STREET, ROOM 605, SAN FRANCISCO, CALIF.

Minutes

THURSDAY - NOVEMBER 13, 1980 - 9:30 A.M.

The Special Meeting of the Health Service Board was called to order at 9:30 A.M. with President Paretchan presiding.

Pledge of Allegiance.

Roll Call:

PRESENT: Gaggero, Joseph; Hassing, Robert E.; Johnson, F. Walter; Paretchan, Harry; Renne, Louise H.; Toomey, Thomas A.

ABSENT: Bernstein, Abraham, M.D.

President Paretchan opened the meeting stating that the meeting was called mainly to discuss the Contract between Paid Prescriptions and the Health Service System of the City and County of San Francisco.

Ms. Beverly West and Mr. Fred Estes were present representing Paid Prescription, and Mr. Philip S. Ward, Deputy City Attorney, was present representing the City Attorney.

Mr. Ward began the discussion by introducing his ideas relative to the System's being covered by adequate insurance either in the form of a fidelity bond, a surety bond, etc. This subject was discussed in depth with a full explanation of all types of coverage being given by Commissioner Robert Hassing. It was learned that a direct coverage bond in the amount of $1,000,000 would not be paid for by Paid Prescription, but would have to be paid directly from the reserves of our system. After hearing Commissioner Hassing's explanation, the Health Service Board did not feel that the expenditure of $20,000 for a direct type of bond was prudent. Mr. Ward was to inquire from the legal staff of Paid Prescriptions in Los Angeles whether or not the Health Service System could be separately named in their over all policy. The result of Mr. Ward's discussion with legal counsel of Paid Prescription will be forwarded to the Health Service System in memorandum form to include a copy of the policy with all requested changes and addendum. Upon receipt of this documentation to the City Attorney, they will become by reference a part of these minutes.

Other facets in the contract that were elaborated upon by Mr. Ward were:

1. Schedule "B" should be executed consistant with terms of letter from System's Actuary dated 10-29-80. Re: tier system $3.30-$3.60.
2. Article VIII, the word "not" be eliminated from the second line.
3. Article VC, change 48-hour turn around to 72 hours.
4. Receipt of Employee Dishonesty Coverage - amount $1,000,000. Provision - 60-day notice prior to termination.
5. Term - change effective date from 11-1-80 to 6-30-81, on fiscal year basis.
6. Include "Non Discriminatory" language as required by Section 12B of Administrative Code for all City Contracts.

Commissioner Toomey moved and Commissioner Johnson seconded a motion that the contract be accepted subject to the above conditions. It was unanimously carried.

Ms. Beverly West of Paid Prescriptions informed the Board that it was its responsibility to set the professional or pouring fee with the Pharmacies under the Contract. A 2-tier system was mentioned. One tier to include the large chains, the other to include the individual pharmacies. Ms. West stated that this was common practice and that they could gear up their computers to accommodate this type system.

Upon recommendation from Mr. Juan B. Rael, Jr., the System's Actuary, it was decided by motion of the Board that the large chains would be paid $3.30 as a pouring fee and that the individuals would be, $3.60, which is the rate paid by Medi-Cal in the State of California.

Commissioner Johnson directed a request to Ms. West for a more complete explanation of the 2-tier system. Ms. West elaborated on all facets of the system to cover Medi-Cal in California and Medi-Caid elsewhere in the United States, and it was determined at this point that none of our contracting pharmacies regardless of location would be paid more than the $3.60 rate. It was further stipulated that if any pharmacy was not willing to accept this $3.60 rate, that they should be excluded from our panel. Ms. Beverly West agreed with this concept. Throughout the discussion, Attorney Ward interjected and requested certain items of information be clarified which will be in his memorandum accompanying the contract.

Supervisor Renne directed a question to Ms. Beverly west asking for a breakdown of the .55¢ per paid prescription. Ms. west replied that the actual cost is .50¢ with a .5¢ fee per prescription going to Mr. Fred Estes, the broker of record. Supervisor Renne then asked Mr. Estes what he did to earn this money. Mr. Estes reported that this was his livelihood, this was the way he made his living. President Paretchan at this point noted that the same condition would have existed had PCS received the contract; that is, the raw cost would be .50¢ per paid claim with the .5¢ going for brokerage.

The next item to be discussed was the manner in which Paid Prescription would handle the backlog of claims presently held in the office of C G M. The following method for processing said claims was introduced by Beverly West. Refer to letter of November 4, 1980 with corrections, attached.

Attorney Ward did not accept the November 4 terms precisely, but made the following recommendations for change. (1) That relative to eligibility, any questionable claim be redirected to the Health Service System for determination. (2) that the December 31st date not be hard and fast; that flexibility be the order and that all claims received be handled. (3) that there should be separate billing to the Health Service System for C G M claims.

By resolution duly seconded and passed, the Board authorized the President and the Executive Director to execute an agreement for the administration of the backlog of C G M claims by Paid Prescriptions subject to the recommended changes introduced by Attorney Ward.

Mr. Ward stated that we are banking upon the financial solvency of those organizations. There are several options to select and what option do they want to take as a safeguard.

Mr. Ward brought out that he asked Paid Prescriptions for a copy of the policy or bond and he was told that they do not let anybody look at the bond and that was when he started talking about a fidelity bond. Discussion was held regarding the bond, its coverage and its options. Mr. Ward also wanted to see what else was covered under that policy or bond.

Mr. Ward referred to the manner in which claims against Paid Prescription would be adjudicated; he noted that the case would not go to court but would be settled by arbitration.

5. Temporary Employees. Mr. Kearney reported that after the passage of Proposition D, both he and Mr. Randall B. Smith, Administrative Assistant, attended meetings and discussions relative to the temporary employees. Four important points for the Board to consider are: (1) They approve the temporary employees having medical coverage; (2) inadequate office facilities; (3) not enough personnel to do the job; (4) who is going to pay the rent when the office moves. Various locations have been suggested but no decisions have been reached. Mr. Kearney turned over the discussion to Mr. Smith; Mr. Smith stated that Prop. D. changes the text in the charter amendment in that it deletes the requirement that a City employee has to be a member of the Retirement System and it also provides that the Board of Supervisors by ordinance can determine the conditions and qualifications of those people who may belong to the Health Service System. An ordinance amending the Administrative Code, already passed and signed by the Mayor, provides that the qualification for membership in the Health Service System is that an employee has worked six (6) months with the City and is working twenty (20) hours or more a week, and it requires a medical examination for those who have not had any during the past 12 months. The language pertaining to the medical examination condition is now up for amending and deletion before the L & P Committee on Monday, November 17, and the basis for the deletion is because of the costs and time involvement in giving these medical exams to all concerned employees; it appears that the provision will be deleted which brings the requirement down to 6 months employment and a minumum of a 20-hour work week.

Mr. Smith mentioned that the preliminary survey made to determine the number of eligible employees revealed 540 out of the 5,000 temporaries signed up; 30% chose Plan I; 40%, Plan II; 25%, Plan III; 3% already had coverage and 38% already had had a medical exam. He stated that 7,000 more cards were produced and distributed because many of the departments are claiming that they never received the notices.

Mr. Smith requested a motion from the Board for the approval to submit the supplemental appropriation in the amount of $66,531 to the Board of Supervisors and to the Mayor; the supplemental provides for six (6) positions to the Membership Division which is understaffed at present; One (1) 1424 Clerk Typist; one (1) 1402 Jr. Clerk; three (3) 1630 Account Clerk; one (1) 1650 Accountant; $10,000, EDP's increased costs; $400 for reproduction costs. Before motion was made discussion and argument for and against the issue raised the following questions and comments:

Why are 6 positions requested at this time, to which Mr. Smith answered that approximately 15,000 temporary employees plus dependents are estimated, and it is felt that the positions are needed to handle the enrollment and maintenance of these employees in the Health Service System. December 1 definitely would be too soon to implement the program. Mandatory medical exams would take another 18 months; suggestion to have department heads

assist with the initial enrollment to take burden off of the staff would avoid having to wait for the supplemental before processing. A firm stand should be taken against the deletion of the language regarding medical exams as it would bring adverse selectees and would be financially detrimental to the Health Service System. There should be a way of compromising the physicals; their going to their own physicians; since 38% had already had physicals, it appears there would only be between 300-400 to take the physicals. Because Dr. Fine does not have the personnel or facility to process 6,000 temporary employees in the Health Service System, he wants to eliminate the examinations and action is being taken to eliminate them. Why was not the Health Service System contacted? The fact that the HSS does not have the personnel nor the facility was not considered; also the financial and economic position; they should be admitted under our conditions. The adverse experience could mean increase in rates. What are the guidelines for acceptance or rejection? The question, are permanents going to continue to be medically examined, was answered with, the purpose for the physical is based on entry into the Retirement System.

Mr. Ben Hunter representing Children's Hospital Health Plan spoke stating that Children's would have to address the problem themselves; that with an influx of people coming in they would have to re-assess the plan for quality of care and the facility and plan for additional staffing; he also mentioned that to admit them without examination could mean over utilization and adverse experience which could be reflected in the rates.

The final point mentioned was, if a person who is qualified and doing the job is found to be ill, what is going to be done in that case.

Motion was made by Commissioner Toomey and seconded by Commissioner Johnson to approve the Supplemental Appropriation in the amount of $66,531 to be submitted to the Board of Supervisors and to the Mayor. The motion was unanimously carried.

The L & P Committee meeting to be held on Monday, November 17, at 1:30 P.M. would be attended by Dr. Fine, Mr. Kearney, Mr. Smith and some of the Board members.

President Paretchan adjourned the meeting for further discussion on the matter to the regular meeting on November 18, 1980 at 12:20 P.M.

Respectfully submitted,

PHILIP J. KEARNEY
EXECUTIVE DIRECTOR

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HEALTH SERVICE SYSTEM
REGULAR MEETING OF THE HEALTH SERVICE BOARD
OF THE CITY AND COUNTY OF SAN FRANCISCO
HELD IN THE BOARD MEETING ROOM
450 MC ALLISTER STREET, ROOM 605, SAN FRANCISCO, CALIF.

TUESDAY - NOVEMBER 18, 1980 - 4:00 P.M.

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A G E N D A

1. Call to Order.

2. Pledge of Allegiance.

3. Roll Call: Bernstein, Abraham, M.D. — Johnson, F. Walter
   Gaggero, Joseph A. — Paretchan, Harry
   Hassing, Robert E. — Renne, Louise H.
   Toomey, Thomas A.

4. Minutes of Regular Meeting of October 14, 1980, Special Meetings of September 29, 1980, October 21, 1980 and October 22, 1980, submitted for approval.

5. Actuarial Report - Mr. Juan B. Rael, Jr.

6. Appeals Committee - Harry Paretchan, Chairman

7. Old Business.

   a. Report on Prescription Drug Plan - P. Kearney

   b. Initial report of survey of the ten most populous counties.

8. New Business.

   a. Presentation of Bay Pacific Health Plan - Mrs. Cathy Duprey

   b. Approval of date for the Annual Public Hearing Meeting to be held in January, 1981.

9. Executive Director's Report.

PHILIP J. KEARNEY
EXECUTIVE DIRECTOR

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HEALTH SERVICE SYSTEM
REGULAR MEETING OF THE HEALTH SERVICE BOARD
OF THE CITY AND COUNTY OF SAN FRANCISCO
HELD IN THE BOARD MEETING ROOM
450 MC ALLISTER STREET, ROOM 605, SAN FRANCISCO, CALIF.

TUESDAY - NOVEMBER 18, 1980 - 4:00 P.M.

The Regular Meeting of the Health Service Board was called to order at 4:00 P.M. with President Paretchan presiding.

Pledge of Allegiance.

Roll Call:

PRESENT : Gaggero, Joseph A. — Paretchan, Harry
Johnson, F. Walter — Renne, Louise H.
Hassing, Robert E. — Toomey, Thomas A.

ABSENT: Bernstein, Abraham, M.D.

Before the motion was made to approve the minutes of the regular meeting of October 14 and special meetings of September 29, October 21 and 22, 1980, Mr. Philip J. Kearney, Executive Director, noted that the two special meetings of October 21 and October 22, show Commissioner Bernstein as being present, yet in fact he was still on vacation.

Motion was made by Commissioner Toomey and seconded by Commissioner Johnson to approve the minutes as corrected and the motion was carried.

ACTUARIAL REPORT. Mr. Juan B. Rael, Jr., Actuary, reported on the general report submitted for the period, July through October, attached. Since the rates were set back in February, Mr. Rael stated that he was running a test to determine the rates in light of inflation. He reported the loss ratio experience for Basic Benefits at 107% for the month of October which he stated is to be expected, and the accumulative at 11[illegible], down from 122% in September. The low loss ratio experience shown under Major Medical at 98% for the month of October and 100% for the accumulative is expected during the first 4 to 5 months due to the major medical deductible being taken; the total loss ratio experience for both Basic and Major Medical Benefits at 110% accumulative is a little higher than he proposed for this time of the year.

Mr. Randall B. Smith, Administrative Assistant, brought out that there are revenues received which are not reconciled and reflected on the report which he estimated would reduce the loss ratio from 3 to 5%.

Mr. Rael added that it is known as earned and unreported premiums like the incurred but unpaid claims.

Mr. Kearney interjected that there is also interest earned on the CD's not reflected in the report and that perhaps in the future when it is possible with more personnel, a separate report on the impact of accrued revenues can be prepared.

. APPEALS COMMITTEE. President Paretchan, Chairman, reported no appeals during the month of November, 1980.

. OLD BUSINESS.

a. Prescription Drug Plan. Mr. Kearney reported that he was called before the L & P Committee on October 29 and that he cleared many points in question before he spoke, the City Attorney stated for the record that the Health Service Board and the Executive Director with the knowledge and acquiescence of Supervisor Horanzy, were operating under the specific orders of the City Attorney and were directed not to appear at the 10-7 and 10-21 meetings. At the request of the City Attorney and the District Attorney he is keeping close contact with Mr. Mizzaro; that there are between 75 to 85% of the 23,000 to 24,000 claims already processed at C G M; that there are 2,700 claims at Conlon's that could not be tied into the prescription drug log and that they have processed 1,350 of them; Mr. Mizzaro is running into difficulty at Conlon's as Ida Conlon is a bit skeptical about his coming in; so from his verbal report, it looks like there are between 23,000 and 24,000 prescription drug claims that have been filled but not paid for; the transaction register indicates somewhere between $11.40 to $12.00 per claim.

The prescription claims that are down at C G M will be handled administratively by Paid Prescriptions. They will be processed separately and will not be mixed with the claims to be paid under the new contract or with the Conlon's claims; the six conditions that require change under the new contract are being corrected and the corrected pages will be forwarded so as to include them in the original contract that we have on hand. Fireman's Fund, the insurance carrier for Paid Prescriptions is forwarding a copy of the required insurance policy to become an addendum to that contract and as soon as these are received, the contract will be ready to be executed according to Mr. Ward.

The audit prepared by Alan Lindquist, CPA, indicates a diversion of funds in the amount of $357,000. When amounts owed for prescriptions not paid are figured, plus administrative costs and other expenses which we are liable for, he thought that it would be somewhere in excess of $300,000 which he felt could be recaptured and put the Health Service System back in a whole position financially.

Mr. Kearney again referred to and wanted an answer as to what is meant by, that a contract is okay as to form; he felt that the contents as well as the form of the contract, should come under the legal scrutiny of someone who is legally authorized to sign it. Does it mean that the contents of the contract is determined to be legally sound? A resolution of the Board authorizing two lay people, the president and himself, to execute a contract in the name of the City and County without legal reference other than to form, he does not understand too clearly. He was told by Commissioner Toomey that it means that the contents is legal and acceptable.

. OLD BUSINESS. (Continued)

Commissioner Hassing again discussed the Fidelity Bond stating that in addition to that bond that Paid Prescriptions should issue a specific bond, inasmuch as the Fidelity Bond in the amount of $1,000,000 covers all the groups together and not specifically the Health Service System.

Mr. Kearney interjected that Mr. Ward had spoken with attorneys of both Paid Prescriptions and Firemen's Insurance and was satisfied with the policy; and that a copy of same would be sent to him as an addendum to the Contract.

b. Survey of the Ten Most Populous Counties. Mr. Randall B. Smith, Administrative Assistant reported that five (5) counties had responded to the questionnaire and that the average at this point is $49.43 per month per employee.

c. Temporary Employees. Mr. Kearney reported that he and Mr. Smith had attended a special meeting of the L & P Committee wherein they wanted to eliminate the language in the amendment to the Administrative Code relative to the requirement that temporary employees pass a medical examination within a twelve-month period preceding the date of inclusion in the system. Mr. Kearney expressed that if they are going to be allowed in, they should be required then to go to their own physician and those reports screened by Dr. Fine and asked that this language be included before passing.

The purpose of the physical examination is to determine whether or not the employee is physically able to perform on the job. It was Dr. Fine's opinion that if the employee is physically able to perform on the job and has been working for 6 months or over on the job, he then qualifies to continue working on the job. It was decided by the Board of Supervisors yesterday that the language would be removed.

The other point Mr. Kearney raised was the supplemental appropriation submitted in the amount of $66,531 to cover the administrative costs; no written approval has been received. He asked the Board to seriously consider, will the temporary employees be admitted before receiving the supplemental appropriation and the commitment on a new facility? He was not referring to the initial enrollment of around 250 which could be handled, but to the continuing program; he stressed again that it could not be done with the personnel and facility that we have. Approximately 5,000 temporaries are expected by December 1, the target date for enrollment. Various recommendations and alternatives were discussed relative to the method to be used for the initial enrollment, and it was also suggested that perhaps the great influx estimated will not occur as at this point of time only 200 temporary employees have expressed a desire for Health Service System coverage.

After discussion and arguments over certain points, it was decided to accept the fact that the medical examinations be eliminated entirely for the initial enrollment and to commence formulating a plan to work in conjunction with the departments' payroll/personnel divisions to implement the program as near December 1, 1980 as possible.

8. NEW BUSINESS.

a. Bay Pacific Health Plan. Mr. Stephen C. Schwartz, Executive Director, presented the Bay Pacific Health Plan Inc. which is based in San Mateo. Packets containing brochures on the Plan were distributed to each Board member. The Plan, a qualified HMO, offers basic health plan services to groups which provides for comprehensive physician and hospital services with an emphasis on preventive care. A wide range of benefits is offered including physical examinations. Their physician group consists of over 300 local participating physicians, specialists as well as primary care providers, and direct payment is made to them thereby eliminating claims processing and administrative costs. Hospitalization is provided at Mary's Help, Mills Memorial, Peninsula and Sequoia. Bay Pacific currently has a maximum enrollment capacity of 80,000.

Administration of doctors visits, hospital stays, surgical procedures, etc., is controlled by the main office, as is utilization and peer review. In the event of grievance, an impartial panel is organized for each particular type of service, general, surgical, etc.

b. Annual Public Hearing Meeting. Mr. Kearney was instructed to write the Board of Supervisors to arrange a date for the Annual Public Hearing Meeting in January. The date after approval will be announced at the next meeting.

9. EXECUTIVE DIRECTOR'S REPORT. Mr. Kearney reported that the department was functioning well.

10. There being no further business to come before the Board, the meeting adjourned at 5.20 P.M.

Respectfully submitted,

PHILIP J. KEARNEY
EXECUTIVE DIRECTOR

REPORT BY ACTUARY FOR NOVEMBER 13, 1980

MEETING OF THE HEALTH SERVICE BOARD

PLAN I

) Experience under Basic Benefit for period July through October 1980

	CONTRIBUTIONS	CLAIMS	CLAIMS RATIO FOR MONTH	CLAIMS RATIO CUMMULATIVE
tive Employees	$ 889,149	$1,039,243	95%	117%
tired & Resigned	404,001	438,809	115	109
ult Dependents	507,330	639,104	111	126
nor Dependents	251,881	305,892	133	121
TOTAL	$2,052,361	$2,423,048	107%	118%

) Experience under Major Medical for Period July through October 1980

$1,685,822	$1,691,863	98%	100%

) Total Experience Basic and Major Medical Benefits

$3,738,183	$4,114,911	103%	110%

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HEALTH SERVICE SYSTEM
REGULAR MEETING OF THE HEALTH SERVICE BOARD
OF THE CITY AND COUNTY OF SAN FRANCISCO
HELD IN THE BOARD MEETING ROOM
450 MC ALLISTER STREET, ROOM 605, SAN FRANCISCO, CALIF.

TUESDAY - DECEMBER 9, 1980 - 4:00 P.M.

A G E N D A

1. Call to Order.

2. Pledge of Allegiance.

3. Roll Call: Bernstein, Abraham, M.D. Johnson, F. Walter
Gaggero, Joseph A. Paretchan, Harry
Hassing, Robert E. Renne, Louise H.
Toomey, Thomas A.

4. Minutes of Regular Meeting of November 18, 1980 and Special Meeting of November 13, 1980, submitted for approval.

5. Actuarial Report - Mr. Juan B. Rael, Jr.

6. Appeals Committee - Harry Paretchan, Chairman

7. Old Business.

   a. Report on Prescription Drug Plan - P. Kearney

   b. Report on the Survey of the Ten Most Populous Counties - R. Smith

   c. Report on Enrollment Status of Temporary Employees - R. Smith

8. New Business.

   a. Consideration of Increase in Upper Limit of Hospital Room and Board.

   b. Proposed Memorandum Covering Voluntary Dental Plan.

9. Executive Director's Report.

PHILIP J. KEARNEY
EXECUTIVE DIRECTOR

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HEALTH SERVICE SYSTEM
REGULAR MEETING OF THE HEALTH SERVICE BOARD
OF THE CITY AND COUNTY OF SAN FRANCISCO
HELD IN THE BOARD MEETING ROOM
450 MC ALLISTER STREET, ROOM 605, SAN FRANCISCO, CALIF.

TUESDAY - DECEMBER 9, 1980 - 4:00 P.M.

1. The Regular Meeting of the Health Service Board was called to order at 4:00 P.M. with President Paretchan presiding.

2. Pledge of Allegiance.

3. Roll Call:

PRESENT: Bernstein, Abraham, M.D. — Hassing, Robert E.
Gaggero, Joseph A. — Paretchan, Harry
Johnson, F. Walter — Toomey, Thomas A.
~~Evans, Heide - Supv. Louise H. Renne's Aide~~
ABSENT: Renne, Louise H. - represented by Heide Evans, her Aide

4. Mr. Philip J. Kearney, Executive Director, told the Board that the Minutes of the previous meetings of November 13 and 18, were not completed and therefore crossed out. They would be forwarded to the Board members for approval for the next meeting.

5. ACTUARIAL REPORT. Mr. Juan B. Rael, Jr., Actuary, submitted the general report for the period, July through November 1980, attached. He reported the loss ratios: Basic Benefits for the month at 100% and the overall at 115% down from 118%; Major Medical for the month at 96% and the overall at 99%; the total experience for both the Basic and Major Medical was down from 111% to 108%.

Mr. Randall B. Smith, Administrative Assistant, commented that if all revenues that had been collected had been reconciled through the month of November, the impact on the loss ratios would be: The 115% would drop to 111%; the Major Medical 99% to 97%; the combined, from 108% to 105%. These revenues are reconciled and reflected a month or two later because they are kicked out and appear in Plan X. The revenues not collected are minimal and represent amounts not collected from those who terminate and never return. Usually a hold is put on claims until the delinquency is collected.

6. APPEALS COMMITTEE. Dr. James T. Fitzgerald, Medical Advisor, reviewed the case of Robert A. Klinger, HSS 71966-01, who was rejected because of dental gum work performed; Mrs. Klinger feels that the disease in his gums was a cyst on the jaw bone which caused an injury. He read the letter received by Mrs. Klinger, the subscriber: "Under Health Service System Rules of Coverage, page 8, paragraph "j", it is stated that covered expenses include "a dentist for (1) prompt necessary repair of injuries to sound natural teeth suffered while insurance is in force for the covered person.", and then continued "I believe that the condition of the mouth (as stated by Dr. Hileman) caused injury to sound, natural teeth (the word accident is not mentioned) - therefore the expenses should be covered." Dr. Fitzgerald contended that the condition and the work done was not injury related.

There was much discussion and many questions posed regarding the Rule and as to whether it was a medical or a dental condition. President Paretchan, instructed Dr. Fitzgerald to write the doctor who treated Mr. Klinger for input as to the treatment and extenuating circumstances in order to shed more light on the matter and tabled the appeal for next month.

OLD BUSINESS.

a. Prescription Drug Plan. Mr. Kearney reported that Mr. Andrew Mizzaro has told him that the $357,000 that has been allegedly diverted has been completely washed and that the Health Service System owes him $4,000. He has asked Mr. Mizzaro to put it in writing in report form, but he has not received it as yet. He was told by both the City Attorney and the District Attorney that if that were the case, it would be difficult to proceed with criminal or civil action. He told the Board that a decision cannot be made until Mr. Mizzaro's report is received and a certified statement from the CPA is received indicating that it is solid.

Mr. Kearney requested the Board to pass a resolution to allow him to contact the CPA firm, Alan Lindquist, to secure the cost to conduct the above audit.

Motion was made by Commissioner Gaggero and seconded by Commissioner Toomey to allow Mr. Kearney to contact the CPA, Alan Lindquist, for costs to conduct the audit. The motion was unanimously carried.

Ms. Beverly West of Paid Prescriptions asked the Board how they wanted the bounced checks issued by CGM handled. Mr. Kearney informed the Board that he had instructed Ms. West to handle the claims in three separate accounts: 1) the bounced checks issued by CGM, caused by Crocker Bank closing the account prematurely; 2) claims incurred prior to November 7; and 3) claims incurred after November 7, 1980.

b. Survey of Ten Most Populous Counties. As a result of the questionnaires received from the ten (10) most populous counties, Mr. Kearney reported that the amount to be contributed by the City and County of San Francisco for the medical care for each employee exclusive of vision and dental for fiscal year 1981-1982 will be increased from $44.55 to $48.45, an increase of $3.90 which equates with 8.7% of our rates. He requested a resolution from the Board.

Motion was made by Commissioner Toomey and seconded by Commissioner Gaggero that a resolution be prepared and forwarded to the Board of Supervisors informing them of the amount, $48.45 per month, to be contributed by the City and County of San Francisco for each employee, for their approval and adoption.

There being no objections, it was SO ORDERED.

c. Temporary Employees. Mr. Smith reported that 630 eligible employees from 18 departments had responded to Civil Service through November 28; that four enrollment sessions have been held and out of the 630 eligibles 404 were enrolled; 87 chose Plan I (21%); 205, Plan II (56%); 112, Plan III (28%); because of lack of communication, there will be one more session this month; as the Membership Division is able to clear the enrollments, more sessions will be held. He mentioned that the enrolling and coding for tub cards is completed and ready to be sent to EDP for the effective date to be 12-31-80. He understands that the Controller will not forward our Supplemental Appropriation until all funds are available and the PUC is holding up that process; he learned that requisitions for temporary help can be processed pending

7. OLD BUSINESS. (Continued)

approval of the supplemental, at which time those temporary positions can be turned into permanent positions. Mr. Kearney felt that a letter from the Controller should be secured stating that the Supplemental is forthcoming before letting the people in on the 31st of December.

It was the consensus of the Board not to proceed until the Supplemental problem is resolved. A copy of the letter received from Children's Hospital Health Plan addressing the problem was given to each Board member and Mr. Ben Hunter told the Board that Children's will assess the problem as the numbers appear and will be able to determine more precisely the situation in January and will report back at that time.

8. NEW BUSINESS.

a. Mr. Smith told the Board that the Medicare hospital inpatient deductible will be increased from $180 to $204 per day effective January 1, 1981; per our rules, we will be paying $204 inpatient hospital deductible under our major medical coverage. He asked the Board to consider an increase in the upper limit of hospital room and board per the information sheet with the survey and recommendation attached. If the $252 per day is adopted, Mr. Rael estimated a cost of $240,000 per year with a $28 increase. He said that this would necessitate an increase in the rates effective July 1, 1981. He estimated the cost for the inpatient hospital Medicare deductible to be from $30,000-$40,000.

Motion was made by Commissioner Johnson and seconded by Commissioner Toomey to adopt the staff recommendation to increase maximum covered amount of Hospital Room and Board to $252 per day effective January 1, 1981 and it was unanimously carried.

b. Mr. Kearney asked the Board to review the draft of the analysis of the Health Service System as of June 30, 1980 submitted by Mr. Rael, copies of which were given to them, and to return them with their comments, suggestions or any input that they feel should be included; he would then submit them to Mr. Rael for his final report to either include or exclude. He commented that in the absence of an indepth internal audit, this report should suffice to give the solidarity of the System.

c. Voluntary Dental Plan. Mr. Kearney brought the Board's attention to the memorandum regarding the voluntary dental plan which Safeguard Health Plans Inc. wishes to send to all City employees under the HSS letterhead.

President Paretchan suggested and it was generally accepted, that the first sentence in the second paragraph, "For those of you who had some hesitancy about joining initially, don't worry, the Plan has succeeded, is functioning well and apparently will be with us for some time to come." be deleted as it sounded as though we were trying to sell the plan. Mr. Kearney agreed and was instructed to send the memorandum to Safeguard with that sentence deleted.

8. NEW BUSINESS.

d. President Paretchan referred to a letter received from an Aide of Supervisor Silver regarding Kaiser health services for Gay City temporary employees. It was the consensus of the Board not to respond.

9. EXECUTIVE DIRECTOR'S REPORT.

a. Mr. Kearney announced that the Annual Public Hearing Meeting was scheduled to be held on Thursday evening, January 15, 1981, Room 228, City Hall.

b. Mr. Kearney requested a resolution covering his administrative expense for the period from June through December, 1980 in the amount of $423.09.

Motion by Commissioner Johnson and seconded by Commissioner Hassing, that a resolution be drawn to approve expenses for the period, June through December 1980, in the amount of $423.09 for the Executive Director.

There being no objections, it was SO ORDERED.

10. There being no further business to come before the Board, the meeting was adjourned at 5:15 P.M.

Respectfully submitted,

PHILIP J. KEARNEY
EXECUTIVE DIRECTOR

REPORT BY ACTUARY FOR DECEMBER 9, 1980
MEETING OF THE HEALTH SERVICE BOARD

PLAN I

) Experience under Basic Benefit for period July through November 1980

	CONTRIBUTIONS	CLAIMS	CLAIMS RATIO FOR MONTH	CLAIMS RATIO CUMULATIVE
tive Employees	$ 1,107,622	$1,243,072	93%	112%
tired & Resigned	504,420	532,331	93	106
ult Dependents	630,887	791,729	124	125
nor Dependents	312,509	360,360	90	115
TOTAL	$ 2,555,438	$2,927,492	100%	115%

) Experience under Major Medical for Period July through November 1980

$ 2,103,845	$2,092,998	96%	99%

) Total Experience Basic and Major Medical Benefit

$ 4,659,283	$5,020,490	98%	108%